



Chu Kong Shipping Development Company Limited

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

Stock Code : 0560

# 2008 INTERIM REPORT



2028  
2027  
2026  
2025  
2024  
2023  
2022  
2021  
2020  
2019  
2018  
2017  
2016  
2015  
2014  
2013  
2012  
2011  
2010  
2009  
2008  
2007  
2006  
2005  
2004  
2003  
2002  
2001  
2000  
1999  
1998  
1997

## **CHAIRMAN'S STATEMENT**

For the six months ended 30th June 2008, the Company and its subsidiaries (the "Group") recorded a consolidated revenue amounting to HK\$454,506,000, up by 13.0% against the previous period. Profit attributable to equity holders of the Company amounted to HK\$73,646,000, 15.4% more than the prior period.

## **DIVIDENDS**

The Board of Directors has declared an interim dividend of HK\$0.02 per ordinary share for the year ending 31st December 2008 to the equity holders whose names appeared on the Register on 13th October 2008.

## **REVIEW AND OUTLOOK**

Throughout the period, the US subprime mortgage crises, depreciation of US dollars and high oil price caused the slowdown of the worldwide economy. The recession of international trade brought a number of uncertainties to the global economy as well as the navigation market. In addition, the continuous introduction of macro-economic control measures in Mainland China, appreciation of Renminbi and high inflation rate also brought great pressure on the operation of the Group. However, relying on the growing marketing, transportation, river trade terminals and information system network, the Group could consolidate and increase the market share further. The Group had increased the revenue through strengthening co-operation with main customers and major shipping companies and extension of the scope of services, had reduced the costs through levying oil-surcharge, deploying vessels and controlling oil consumption and had enhanced its capital return by policies like reinforcing stable financial arrangements. As a result, the Group recorded growth in profit and displayed market strength.

During the period, having considered the business environment and predicted the future economic trend, the Group has expanded the investments on major business segments and related facilities.

The Group has been constantly enhancing the network layout and strengthening the control points on the river terminals in the Pearl River Delta. On 2nd July 2008, the Group entered into a “Zhongshan City Huangpu Harbour Terminal Joint Venture Company Limited Agreement” with Zhongshan City Ganghang Group Limited and Zhongshan City Huangpu Town Asset Operation Limited for formation of the Sino-Foreign Entity Joint Venture – Zhongshan City Huangpu Harbour Terminal Joint Venture Company Limited (the “Joint Venture Company”). The Group would hold 80% equity interest of the Joint Venture Company which would develop the Huangpu Port located at Wuliancun, Huangpu town in the city of Zhongshan of Guangdong Province and apply for a 50-year operation licence from the authorities. This investment will further increase our market share in the logistics segment in the Zhongshan region. On 16th June 2008, Chu Kong River Trade Terminal Company Limited (“CKRTT”), one of the Group’s subsidiaries, entered into a “Transfer of Shareholding Agreement” with Deqing Kangzhou Port Development Company Limited for acquiring its 39.17% equity interest in Chu Kong Cargo Terminals (Kanzhou) Company Limited (“CKCTK”). Upon completing the acquisition, CKRTT will own 100% equity interest in CKCTK which will become a wholly foreign-owned enterprise and it will also apply for a 50-year operation licence from the authorities. In order to support the Group’s development in the Zhaoqing region, the Group will inject additional capital to CKCTK for carrying out modernized planning and re-construction. In addition, the Group has reinforced the extension of the Gaoming port and the Gaoyao port so as to enhance our market share in logistics segment in these regions.

The construction progress of Zhaoqing Dawang Integrated Logistics Project was satisfactory. It was expected that the vehicle inspection centre and the logistics warehouse would be commenced operation at the end of 2008. The control centre based in Dawang operated by Zhaoqing Chu Kong Transportation (Dawang) Company Limited has been providing hauling ancillary services to our river trade terminals and freight forwarders offices located in Pearl River Delta. The cargo volume handled by this company was 7,182 TEU in the first half year and the valuable experience will enrich the Group's further development in this business segment.

During the period, the Group has enlarged the investment in the information system. An agreement for development of the central management platform and port management system project was entered into between the Group and Kingdee Software (China) Company Limited in June 2008. The commencement of usage of the management platform will not only optimize the business flow and improve operational efficiency but also improve corporate governance of the Group, thereby consolidating the foundation of the Group for further growth.

For the coming half year, the overall business environment will not be promising because of the uncertainties arising from the economic environment and the pressure from high operational cost etc. Even though the Group is facing an arduous market environment, we will still maintain our confidence and keep the shareholders' interest uppermost in our minds. The Group will continue to improve corporate governance and transparency, enhance internal management, gear up the progress of various investment projects, and ensure steady continual overall development so as to secure satisfactory returns to the shareholders.

## **RELATION WITH INVESTORS**

The website of our Company ([www.cksd.com](http://www.cksd.com)) is one of the important channels to provide timely information for the market.

## **APPRECIATION**

Finally, the Board of Directors would like to take this opportunity to express its sincere gratitude to all our staff for their efforts and contributions to the Group, as well as all shareholders for their continuous trust and support to the Group's development.

**Hua Honglin**  
*Chairman*

Hong Kong, 17th September 2008

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF OPERATIONS**

For the six months ended 30th June 2008, the Group recorded a consolidated revenue of HK\$454,506,000, an increase of 13.0% as compared with the prior period. Profit attributable to equity holders of the Company was HK\$73,646,000, representing an increase of 15.4% as compared with the prior period, of which, profit from subsidiaries was HK\$37,768,000, representing an increase of 39.8% while profit from the investment business was HK\$35,878,000, representing a decrease of 2.5%.

During the period, although most enterprises in the world faced an adverse business environment as a result of the diminished global market demand, high costs and low profit margin, the Group still recorded a growth in both cargo volume and profit. The increase in cargo volume, with container transportation volume and wharf container handling volume recording an increase of 5.8% and 3.5% respectively, was attributed to the cooperation with major shipping companies in various spheres; the transfer of our costs by levying reasonable oil-surcharge while the increase in capital return and gain in foreign exchange from adopting stable financial arrangement. However, the rise of oil costs by HK\$14,990,000 led to a decrease of gross profit. Owing to the different unfavorable economic factors, even though the Group's investment in jointly controlled entities maintained a profit during the period, the Group's share of profit was reduced by 2.5% as compared with prior period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW OF OPERATIONS (Continued)

#### 1. River trade transportation business

Facing the worldwide unfavorable economic factors, the Group still recorded an increase in the container business segment during the period because of the excellent marketing network and the expanding scope of services. Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		Change
	2008	2007	
Container transportation volume (TEU)	<b>420,198</b>	397,225	5.8%
Container handling volume (TEU)	<b>226,230</b>	218,651	3.5%
Volume of container hauling and trucking on land (TEU)	<b>70,601</b>	71,649	-1.5%
Break bulk cargoes transportation volume (tons)	<b>187,483</b>	195,100	-3.9%
Volume of break bulk cargoes handled (tons)	<b>298,059</b>	347,692	-14.3%
Import and export of shipping agencies business (voyages)	<b>8,414</b>	9,766	-13.8%

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **REVIEW OF OPERATIONS** *(Continued)*

#### *2. Subsidiary and Investment Business Review*

During the period, because of developing the domestic trading market actively, the volume of container handled by Chu Kong Cargo Terminals (Gaoming) Company Limited was increased by 7.7% when compared with the same period of last year while the profit attributed to the Group increased by 6.5%. In addition, this company completed the approval procedures and open tender for the extension project of the port. In April of this year, the invitation for tender was finished and the extension project of the port was commenced on 27th June 2008.

During the period, the marketing business of Zhaoqing Chu Kong Logistics (Gaoyao) Company Limited, which was acquired last year, was developed successfully. The tonnage handled was higher than expected. The container handling volume and the profit increased by 5.2% and 253.7% respectively when compared with the prior period. The professional assessment report and the port construction plan feasibility study were preliminarily finished.

In the first half of the year, Zhaoqing Chu Kong Logistics (Dawang) Company Limited and Zhaoqing Chu Kong Cargo Terminals (Dawang) Company Limited mainly focused on the development of the construction work of Chu Kong Dawang Logistics Park Project. The total amount of the construction project for the period was RMB31,640,000 while the cumulative amount as at 30th June 2008 was RMB50,000,000. The volume of container handled by Zhaoqing Chu Kong Transportation (Dawang) Company Limited-Gaoming trailer team was 7,182 TEU for the period and the business development of the company was progressing smoothly.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **REVIEW OF OPERATIONS** *(Continued)*

#### *2. Subsidiary and Investment Business Review (Continued)*

Affected by the closure of some passages for road extension project, the disastrous snowstorm in the west mainland area and the recent government policy for Green Lane etc., Guangzhou-Foshan Expressway Limited recorded a decrease of 14.4% in traffic volume in this period as compared with prior period. As a result, toll income decreased by 16.5% and profit attributable to the Group decreased by 22.1%.

Foshan New Port Limited has been actively sourcing more types of goods and improving its service qualities, the container handling volume in the period grew by 7.5% accordingly. It contributed profit of HK\$9,570,000 to the Group, representing an increase of 69.0%. As Foshan Nankong Terminal Company Limited has strengthened its marketing promotion and business development for the public bonded warehouse and customs supervised export warehouse, the operation volume of these two warehouses increased substantially during this period. It contributed profit of HK\$2,660,000 to the Group, representing an increase of 112.8%. Chu Kong Cargo Terminals (Beicun) Company Limited has concentrated on import container handling segment contributing HK\$660,000 to the Group which represented 28.5% increase when compared with prior period. As Guangdong Sanbu Passenger and Freight Transportation Company Limited has changed the passenger transportation business mode and Chu Kong Logistics (Singapore) Pte Limited has focused on export business and improving its sales network in South-East Asia, there was also a significant growth trend in both companies.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **REVIEW OF OPERATIONS** *(Continued)*

#### *2. Subsidiary and Investment Business Review (Continued)*

Due to the downturn in the transportation market, the cargo volume of Shenzhen Yantian Port Chu Kong Logistics Company Limited reduced. In addition, with high competition that forbade the increase in transport price and the relentless rise in oil price etc., the contributed profit to the Group decreased by HK\$500,000. Hekong Associated Forwarding Company Limited faced not only an unfavorable market environment but also a vicious price competition with competitors in Jiangmen market, resulting in a loss of the Group's market share.

On 16th June 2008, Chu Kong River Trade Terminal Company Limited ("CKRTT"), one of the Group's subsidiaries, entered into a "Transfer of Shareholding Agreement" with Deqing Kangzhou Port Development Company Limited for acquiring its 39.17% equity interest in Chu Kong Cargo Terminals (Kanzhou) Company Limited ("CKCTK") at a consideration of RMB4,408,000 equivalent foreign currency. Upon completing the acquisition, CKRTT will own 100% equity interest in CKCTK which will be converted to a wholly foreign-owned enterprise and it will also apply for a 50-year operation licence from the authorities. On 10th July 2008, the approval certificate for Foreign Enterprise was issued by the Government of the Guangdong Province.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **REVIEW OF OPERATIONS** *(Continued)*

#### *2. Subsidiary and Investment Business Review (Continued)*

On 2nd July 2008, the Company entered into a “Zhongshan City Huangpu Harbour Terminal Joint Venture Company Limited Agreement” with Zhongshan City Ganghang Group Limited and Zhongshan City Huangpu Town Asset Operation Limited for formation of the Sino-Foreign Entity Joint Venture – Zhongshan City Huangpu Harbour Terminal Joint Venture Company Limited (the “Joint Venture Company”). The capital will be contributed to by the three parties and it will also apply for a 50-year operation licence from the authorities. The first installment of the registered capital of the Joint Venture Company, in the amount of RMB50,000,000, will be contributed by the three parties. The Company, Zhongshan City Ganghang Group Limited and Zhongshan City Huangpu Town Asset Operation Limited, will hold the equity interest in the Joint Venture Company at 80%, 10% and 10% respectively. The Joint Venture Company will develop the Huangpu Port located at Wuliancun, Huangpu town in the city of Zhongshan of Guangdong Province. In the meantime, the related procedures for registration of the Joint Venture Company are in progress and qualified architect company for the overall project designing plan will be delegated shortly.

The other subsidiaries and joint ventures of the Group performed well during the year with no abnormality.

## **EMPLOYEES**

As at 30th June 2008, the Group employed 328 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group monitors its circulating capital and financial resources in effort to maintain a solid financial position. As at 30th June 2008, the Group secured a total credit limit of HK\$4,390,000 granted by bona fide banks.

As at 30th June 2008, the current ratio of the Group, represented by current assets to current liabilities, was 3.3 (31st December 2007: 3.5) and the debt ratio, represented by total liabilities to total assets, was 13.7% (31st December 2007: 13.7%).

As at 30th June 2008, the Group's cash and bank balances amounted to HK\$593,325,000 (31st December 2007: HK\$672,643,000), which represented 29.6% (31st December 2007: 35.2%) of the total assets.

After considering its cash and bank balances, cash flow from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient fund to finance its future operations and for business expansion and development.

**DIRECTORS' AND EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

At 30th June 2008, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

At no time during the period, the directors and executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY**

As at 30th June 2008, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

### **Ordinary shares of HK\$0.1 each in the Company**

	<b>Number of Shares</b>
(i) CKSE	592,724,000
(ii) Guangdong Province Navigation Holdings Company Limited (GPNHCL)	592,724,000

CKSE is wholly owned by GPNHCL. Accordingly, the interests disclosed by parties (i) and (ii) above are in respect of the same shareholding.

Save as disclosed above, as at 30th June 2008, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE**

The interim report of the Company for the six months ended 30th June 2008 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK and the Company ([www.cksd.com](http://www.cksd.com)) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 14th October 2008 (Tuesday) to 16th October 2008 (Thursday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on 13th October 2008 (Monday) for registration. Interim dividend will be payable on or before 31st October 2008.

## **REVIEW BY AUDIT COMMITTEE**

The Company's Audit Committee and the Company's independent auditor, PricewaterhouseCoopers, have reviewed the unaudited interim financial information for the six months ended 30th June 2008.

## **CORPORATE GOVERNANCE**

The Company has adopted the provisions of the Code of Corporate Governance as the principles for its corporate governance since 1st January 2005, and partially adopted and followed the guidance of the recommended best practices based on its actual needs for the corporate governance.

In the opinion of the Directors, the Company has complied with the Code On Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the Code) throughout the accounting period covered by the interim report except that independent non-executive Directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association.

The Company has established the Remuneration Committee comprising mostly the independent non-executive Directors. Mr. Chan Kay Cheung, an independent non-executive Director, was appointed as the Chairman, and the company secretary was appointed as secretary of the Remuneration Committee.

The Chairman and chief executive officer of the Company are different persons, with written terms clearly stating their respective duties.

## **ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Directors have complied with such code of conduct throughout the period.



## **DIRECTORS**

As at the date of this announcement, the Company's executive Directors include Mr. Hua Honglin, Mr. Yang Rixiang and Mr. Huang Shuping; and independent non-executive Directors include Mr. Chan Kay Cheung, Mr. Choi Kim-Lui and Ms. Yau Lai Man.

By Order of the Board  
**Yang Rixiang**  
*Managing Director*

Hong Kong, 17th September 2008

**UNAUDITED CONSOLIDATED INCOME STATEMENT***FOR THE SIX MONTHS ENDED 30TH JUNE 2008*

		<b>2008</b>	2007
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue	4	<b>454,506</b>	402,269
Cost of services rendered	5	<b>(390,798)</b>	(342,553)
Gross profit		<b>63,708</b>	59,716
Other income		<b>5,153</b>	3,064
Other gains – net	6	<b>24,896</b>	10,169
General and administrative expenses	5	<b>(52,728)</b>	(47,439)
Operating profit		<b>41,029</b>	25,510
Finance income		<b>5,905</b>	6,627
Share of profits less losses of jointly controlled entities	7	<b>35,878</b>	36,789
Profit before income tax		<b>82,812</b>	68,926
Income tax expense	8	<b>(9,256)</b>	(5,225)
Profit for the period		<b>73,556</b>	63,701
<b>Attributable to:</b>			
Equity holders		<b>73,646</b>	63,802
Minority interests		<b>(90)</b>	(101)
		<b>73,556</b>	63,701
<b>Dividends</b>	9		
Interim		<b>18,000</b>	9,000
Special interim		–	9,000
		<b>18,000</b>	18,000
<b>Earnings per share (HK cents)</b>	10		
Basic and diluted		<b>8.18</b>	8.23

## UNAUDITED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2008

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30th June</b>	31st December
		<b>2008</b>	2007
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>301,663</b>	254,256
Investment properties	<i>11</i>	<b>4,661</b>	4,713
Leasehold land and land use rights	<i>11</i>	<b>337,829</b>	328,756
Intangible assets – goodwill	<i>11</i>	<b>18,690</b>	17,484
Investments in jointly controlled entities		<b>462,203</b>	407,803
Deferred income tax assets		<b>487</b>	487
		<hr/> <b>1,125,533</b>	<hr/> 1,013,499
		<hr/> <b>1,125,533</b>	<hr/> 1,013,499
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<b>284,005</b>	226,536
Derivative financial instruments		<b>221</b>	–
Cash and bank balances		<b>593,325</b>	672,643
		<hr/> <b>877,551</b>	<hr/> 899,179
		<hr/> <b>877,551</b>	<hr/> 899,179
<b>Total assets</b>		<hr/> <b>2,003,084</b>	<hr/> 1,912,678
		<hr/> <b>2,003,084</b>	<hr/> 1,912,678

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2008</b>	2007
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>EQUITY</b>			
Share capital	13	<b>90,000</b>	90,000
Reserves		<b>1,618,310</b>	1,522,549
Final dividend proposed		–	36,000
Interim dividend declared		<b>18,000</b>	–
		<hr/>	<hr/>
		<b>1,726,310</b>	1,648,549
Minority interests		<b>2,095</b>	2,165
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,728,405</b>	1,650,714
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>9,492</b>	5,392
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and other payables	14	<b>257,808</b>	252,781
Current income tax liabilities		<b>7,379</b>	3,791
		<hr/>	<hr/>
		<b>265,187</b>	256,572
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>274,679</b>	261,964
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>2,003,084</b>	1,912,678
		<hr/>	<hr/>
<b>Net current assets</b>		<b>612,364</b>	642,607
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>1,737,897</b>	1,656,106
		<hr/>	<hr/>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30TH JUNE 2008**

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total reserves HK\$'000	Equity holders HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January 2008	90,000	787,762	21,230	60,182	895	24,711	663,769	1,558,549	1,648,549	2,165	1,650,714
Income recognised directly in equity – currency translation differences	–	–	–	–	–	–	–	–	–	–	–
– Subsidiaries	–	–	–	19,799	–	–	–	19,799	19,799	20	19,819
– Jointly controlled entities	–	–	–	20,316	–	–	–	20,316	20,316	–	20,316
Profit for the period	–	–	–	–	–	–	73,646	73,646	73,646	(90)	73,556
2007 final dividend	–	–	–	–	–	–	(36,000)	(36,000)	(36,000)	–	(36,000)
Transfer of reserves	–	–	–	–	–	866	(866)	–	–	–	–
At 30th June 2008	90,000	787,762	21,230	100,297	895	25,577	700,549	1,636,310	1,726,310	2,095	1,728,405
At 1st January 2007	75,000	489,185	21,230	24,624	895	21,651	579,249	1,136,834	1,211,834	2,202	1,214,036
Issue of new shares, net of share issuing expenses	15,000	298,577	–	–	–	–	–	298,577	313,577	–	313,577
Income recognised directly in equity – currency translation differences	–	–	–	–	–	–	–	–	–	–	–
– Subsidiaries	–	–	–	4,569	–	–	–	4,569	4,569	–	4,569
– Jointly controlled entities	–	–	–	6,330	–	–	–	6,330	6,330	–	6,330
Profit for the period	–	–	–	–	–	–	63,802	63,802	63,802	(101)	63,701
2006 final dividend	–	–	–	–	–	–	(37,500)	(37,500)	(37,500)	–	(37,500)
Transfer of reserves	–	–	–	–	–	321	(321)	–	–	–	–
At 30th June 2007	90,000	787,762	21,230	35,523	895	21,972	605,230	1,472,612	1,562,612	2,101	1,564,713

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW  
STATEMENT**

*FOR THE SIX MONTHS ENDED 30TH JUNE 2008*

	<b>Six months ended 30th June</b>	
	<b>2008</b>	2007
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Net cash (used in)/from operating activities	<b>(136)</b>	22,933
Net cash used in investing activities	<b>(48,382)</b>	(24,050)
Net cash (used in)/from financing activities	<b>(36,000)</b>	276,077
Net (decrease)/increase in cash and bank balances	<b>(84,518)</b>	274,960
Cash and bank balances at 1st January	<b>672,643</b>	348,991
Effect of exchange rate changes	<b>5,200</b>	4,392
Cash and bank balances at 30th June	<b><u>593,325</u></b>	<u>628,343</u>

## **NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION**

### **1 GENERAL INFORMATION**

Chu Kong Shipping Development Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking in Hong Kong and the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 22nd Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This unaudited interim financial information was approved for issue by the Board of Directors of the Company on 17th September 2008.

### **2 BASIS OF PREPARATION**

This unaudited interim financial information for the six months ended 30th June 2008 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This unaudited interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 3 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2007.

#### **New/revised HKFRS**

The Group has adopted the following new interpretations (collectively the “new HKFRSs”) issued by the HKICPA which are relevant to the Group’s operations and mandatory for the financial year ending 31st December 2008:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their interaction

Except for HK(IFRIC)-Int 12, the adoption of the above new interpretations did not have material impact to the Group’s principal accounting policies or presentation of financial statements except that additional disclosure will be made in the 2008 annual financial statements.

HK(IFRIC)-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The adoption of HK(IFRIC)-Int 12 resulted in a change in accounting policy of Guangzhou-Foshan Expressway Ltd. (“GF Expressway”), the Company’s jointly controlled entity.

Prior to the adoption of HK(IFRIC)-Int 12, the toll road was recorded as tangible infrastructure asset. In accordance with HK(IFRIC)-Int 12, the toll road shall be recognised as intangible operating right to the extent that GF Expressway received a right (a license) to charge users for the public service. As a toll road constructor, GF Expressway should account for revenue and costs relating to toll road construction or upgrade services with HKAS 11 “Construction Contracts”. Management performed assessment on the impact of adopting this interpretation which was considered as insignificant to the Group’s financial statements. As such, no adjustment was made for the adoption of HK(IFRIC)-Int 12.



## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 3 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The HKICPA has issued certain new and revised standards, interpretations and amendments which are not yet effective for the year ending 31st December 2008. The Group has not early adopted these standards, interpretations and amendments in this interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted.

### 4 SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as secondary reporting format for the purpose of this interim financial information.

The Group and its jointly controlled entities are organised into four main business segments:

- (i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transshipment
- (ii) Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage
- (iii) Container hauling and trucking
- (iv) Expressway operation

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (Continued)

#### Business segments

	Unaudited					Total HK\$'000
	Six months ended 30th June 2008					
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Container hauling and trucking HK\$'000	Expressway operation HK\$'000	Eliminations HK\$'000	
Revenue						
– external	395,118	55,893	3,495	–	–	454,506
– inter-segments	8	32,028	24,867	–	(56,903)	–
Other income						
– external	257	2,932	–	–	–	3,189
– inter-segments	–	253	–	–	(253)	–
Total	<u>395,383</u>	<u>91,106</u>	<u>28,362</u>	<u>–</u>	<u>(57,156)</u>	<u>457,695</u>
Segment results	3,726	19,600	2,283	–	–	25,609
Unallocated income						25,158
Unallocated expenses						(9,738)
Operating profit						41,029
Financial income						5,905
Share of profits less losses of jointly controlled entities	380	14,937	460	20,101	–	35,878
Profit before income tax						82,812
Income tax expense						(9,256)
Profit for the period						<u>73,556</u>
Depreciation and amortisation						
– allocated	2,169	9,800	1,095	–	–	13,064
– unallocated						726
						<u>13,790</u>
Capital expenditure						
– allocated	51	36,946	19,545	–	–	56,542
– unallocated						117
						<u>56,659</u>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

	Unaudited Six months ended 30th June 2007					
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Container hauling and trucking HK\$'000	Expressway operation HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue						
– external	352,429	49,110	730	–	–	402,269
– inter-segments	42	33,266	27,441	–	(60,749)	–
Other income						
– external	42	2,789	–	–	–	2,831
– inter-segments	–	253	–	–	(253)	–
Total	<u>352,513</u>	<u>85,418</u>	<u>28,171</u>	<u>–</u>	<u>(61,002)</u>	<u>405,100</u>
Segment results	3,431	15,221	3,576	–	–	22,228
Unallocated income						9,030
Unallocated expenses						<u>(5,748)</u>
Operating profit						25,510
Financial income						6,627
Share of profits less losses of jointly controlled entities	553	9,470	955	25,811	–	<u>36,789</u>
Profit before income tax						68,926
Income tax expense						<u>(5,225)</u>
Profit for the period						<u>63,701</u>
Depreciation and amortisation						
– allocated	2,088	9,343	666	–	–	12,097
– unallocated						514
						<u>12,611</u>
Capital expenditure						
– allocated	5,502	10,708	6,407	–	–	22,617
– unallocated						5
						<u>22,622</u>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

	Unaudited As at 30th June 2008						Group HK\$'000
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Containers hauling and trucking HK\$'000	Expressway operation HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	
Assets	266,544	692,805	105,726	–	468,294	(37,889)	1,495,480
Jointly controlled entities	35,941	208,963	22,737	196,891	43,072	–	507,604
Total assets	<u>302,485</u>	<u>901,768</u>	<u>128,463</u>	<u>196,891</u>	<u>511,366</u>	<u>(37,889)</u>	<u>2,003,084</u>
Total liabilities	<u>228,166</u>	<u>38,198</u>	<u>19,086</u>	<u>–</u>	<u>27,118</u>	<u>(37,889)</u>	<u>274,679</u>
	As at 31st December 2007						
	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Containers hauling and trucking HK\$'000	Expressway operation HK\$'000	Unallocated HK\$'000	Eliminations HK\$'000	Group HK\$'000
Assets	245,475	581,151	72,064	–	594,757	(33,313)	1,460,134
Jointly controlled entities	62,621	193,051	20,819	176,053	–	–	452,544
Total assets	<u>308,096</u>	<u>806,431</u>	<u>60,654</u>	<u>176,053</u>	<u>594,757</u>	<u>(33,313)</u>	<u>1,912,678</u>
Total liabilities	<u>226,584</u>	<u>32,273</u>	<u>11,965</u>	<u>–</u>	<u>24,455</u>	<u>(33,313)</u>	<u>261,964</u>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION *(Continued)*

#### Geographical segments

Over 90% of the Group's revenue is derived from operations carried out in Hong Kong and customers are located in Mainland China and Hong Kong. The Directors consider that it is impracticable to allocate the revenue and segment results to geographical segments.

The analysis of the Group's total assets and capital expenditure by geographical segments is as follows:

	Total assets		Capital expenditure	
	Unaudited As at 30th June 2008 <i>HKS'000</i>	Audited As at 31st December 2007 <i>HKS'000</i>	Unaudited Six months ended 30th June 2008 <i>HKS'000</i>	
Hong Kong	1,074,684	1,169,173	281	15,351
Mainland China	420,796	290,961	56,378	7,271
	<b>1,495,480</b>	1,460,134	<b>56,659</b>	22,622
Jointly controlled entities	507,604	452,544		
	<b>2,003,084</b>	1,912,678		

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 5 COSTS AND EXPENSES BY NATURE

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Amortisation of leasehold land and land use rights	<b>3,686</b>	3,540
Costs of cargo transportation, handling, storage, container hauling and trucking	<b>314,633</b>	265,673
Depreciation of property, plant and equipment	<b>10,052</b>	9,019
Depreciation of investment properties	<b>52</b>	52
Operating lease rental expenses		
– vessels and barges	<b>41,595</b>	42,811
– buildings	<b>5,950</b>	5,768
Staff costs (including Directors' emoluments)	<b>49,828</b>	45,043
Others	<b>17,730</b>	18,086
	<hr/>	<hr/>
Total cost of services rendered and general and administrative expenses	<b>443,526</b>	389,992
	<hr/>	<hr/>

### 6. OTHER GAINS – NET

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Exchange gains, net	<b>24,447</b>	9,522
(Loss)/gain on disposal of property, plant and equipment	<b>(22)</b>	299
Write-back of/(provision for) impairment of trade receivables, net	<b>250</b>	(158)
Fair value gain on derivative financial instruments	<b>221</b>	–
Others	<b>–</b>	506
	<hr/>	<hr/>
	<b>24,896</b>	10,169
	<hr/>	<hr/>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 7 SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of profits less losses	43,334	44,026
Share of PRC enterprise income tax	(7,456)	(7,237)
	<u>35,878</u>	<u>36,789</u>

### 8 INCOME TAX EXPENSE

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	4,327	3,208
PRC enterprise income tax	829	753
Deferred income tax	4,100	1,264
	<u>9,256</u>	<u>5,225</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC under which the Group's principal PRC enterprise income tax rate is gradually accelerated to the higher tax rate of 25% in a period of 5 years starting from 2008. The applicable principal PRC enterprise income tax rate for the six months ended 30th June 2008 is 18%.

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 9 DIVIDENDS

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, declared of HK\$0.02 (2007: HK\$0.01) per ordinary share	<b>18,000</b>	9,000
Special interim, declared of HK\$0 (2007: HK\$0.01) per ordinary share	—	9,000
	<b>18,000</b>	18,000

On 17th September 2008, the Board of Directors declared an interim dividend of HK\$0.02 per ordinary share for the year ending 31st December 2008. This proposed dividend is not reflected as dividend payable in this interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2008.

### 10 EARNINGS PER SHARE – BASIC AND DILUTED

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	<b>2007</b>
Profit attributable to equity holders (HK\$'000)	<b>73,646</b>	63,802
Weighted average number of ordinary shares in issue (thousands)	<b>900,000</b>	775,000
Basic and diluted earnings per share (HK cents)	<b>8.18</b>	8.23

The diluted earnings per share for the six months ended 30th June 2008 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period.



## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 11 CAPITAL EXPENDITURE

	<b>Property, plant and equipment</b>	<b>Investment properties</b>	<b>Unaudited Leasehold land and land use rights</b>	<b>Goodwill</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30th June 2008				
Opening net book amount	254,256	4,713	328,756	17,484
Exchange differences	7,133	–	8,894	1,206
Additions	52,794	–	3,865	–
Disposals	(2,468)	–	–	–
Depreciation and amortisation	(10,052)	(52)	(3,686)	–
Closing net book amount	<u>301,663</u>	<u>4,661</u>	<u>337,829</u>	<u>18,690</u>
Six months ended 30th June 2007				
Opening net book amount	184,203	4,817	306,308	16,304
Exchange differences	2,166	–	2,725	418
Additions	22,622	–	–	–
Disposals	(59)	–	–	–
Depreciation and amortisation	(9,019)	(52)	(3,540)	–
Closing net book amount	<u>199,913</u>	<u>4,765</u>	<u>305,493</u>	<u>16,722</u>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 12 TRADE AND OTHER RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (note (a)):		
– third parties	<b>88,652</b>	75,465
– fellow subsidiaries	<b>886</b>	400
– jointly controlled entities	<b>68,271</b>	63,993
– other related companies	<b>165</b>	33
– other state-owned enterprises	<b>171</b>	317
	<hr/>	<hr/>
	<b>158,145</b>	140,208
	-----	-----
Other receivables (note (b)):		
– third parties	–	3,398
– immediate holding company	<b>3,654</b>	2,774
– fellow subsidiaries	–	1,628
– jointly controlled entities	<b>68,537</b>	25,804
– other related companies	<b>248</b>	243
	<hr/>	<hr/>
	<b>72,439</b>	33,847
	-----	-----
Loans to jointly controlled entities (note (c))	<b>45,401</b>	44,741
	-----	-----
Deposits and prepayments	<b>8,020</b>	7,740
	<hr/>	<hr/>
	<b>284,005</b>	226,536
	<hr/>	<hr/>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 12 TRADE AND OTHER RECEIVABLES *(Continued)*

- (a) The normal credit periods granted by the Group to customers on open accounts range from seven days to three months from the date of invoice. The ageing analysis of the trade receivables is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>149,508</b>	130,803
4 to 6 months	<b>6,384</b>	9,002
7 to 12 months	<b>1,907</b>	2,712
Over 12 months	<b>4,155</b>	1,750
	<hr/>	<hr/>
	<b>161,954</b>	144,267
Less: Provision for impairment	<b>(3,809)</b>	(4,059)
	<hr/>	<hr/>
	<b>158,145</b>	140,208
	<hr/> <hr/>	<hr/> <hr/>

- (b) The other receivables due from related parties are unsecured, interest free and have no fixed terms of repayment.
- (c) The loans to jointly controlled entities are unsecured and have no fixed terms of repayment. Except for amounts of HK\$24,892,000 (31st December 2007: HK\$33,684,000) which bear interest at floating rate announced by the People's Bank of China or 4.68% or 4% per annum (31st December 2007: floating rate announced by the People's Bank of China or 4.68% or 4% per annum), the remaining loans to jointly controlled entities are interest free.

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 13 SHARE CAPITAL

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<b>200,000</b>	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
Beginning of the period/year	<b>90,000</b>	75,000
Issue of new shares (Note (a))	–	15,000
End of the period/year	<b>90,000</b>	90,000

*Note:*

- (a) In 2007, 150,000,000 ordinary shares were placed by Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), the immediate holding company, at a placing price of HK\$2.15 per ordinary share. The same number of new ordinary shares was subscribed by CKSE at a subscription price of HK\$2.15 per ordinary share. The net proceeds of the subscription will be used for the investments in river transportation related assets and working capital.

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 14 TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (notes (a) and (b)):		
– third parties	<b>134,918</b>	143,888
– immediate holding company	<b>1,057</b>	1,250
– fellow subsidiaries	<b>12,445</b>	11,525
– jointly controlled entities	<b>24,595</b>	12,858
– other related companies	–	365
– other state-owned enterprises	<b>447</b>	1,128
	<u><b>173,462</b></u>	<u>171,014</u>
	-----	-----
Other payables (note (b)):		
– immediate holding company	<b>2,522</b>	4,281
– fellow subsidiaries	<b>11,210</b>	5,293
– jointly controlled entities	<b>8,799</b>	9,486
– other related companies	<b>86</b>	81
– a state-owned enterprise	<b>702</b>	–
– key management	<b>1,946</b>	1,250
	<u><b>25,265</b></u>	<u>20,391</u>
	-----	-----
Accruals	<u><b>59,081</b></u>	<u>61,376</u>
	<u><b>257,808</b></u>	<u>252,781</u>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 14 TRADE AND OTHER PAYABLES (Continued)

(a) The ageing analysis of the trade payables is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 3 months	<b>137,123</b>	127,683
4 to 6 months	<b>31,196</b>	32,686
7 to 12 months	<b>3,356</b>	3,937
Over 12 months	<b>1,787</b>	6,708
	<hr/> <b>173,462</b> <hr/>	<hr/> 171,014 <hr/>

(b) The trade and other payables due to related parties are unsecured and interest free. Trading balances have similar terms of settlement as those of third party payables whereas other balances have no fixed terms of repayment.

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 15 CAPITAL COMMITMENTS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for in respect of:		
– Investment in a jointly controlled entity (note (a))	<b>5,066</b>	–
– Property, plant and equipment	<b>199,292</b>	203,230
Authorised but not contracted for in respect of:		
– Investment in a jointly controlled entity	–	858
– Property, plant and equipment	<b>5,333</b>	23,441
	<b>209,691</b>	227,529

*Note:*

- (a) On 16th June 2008, the Group entered into a “Transfer of Shareholding Agreement” with Deqing Kangzhou Port Development Company Limited for acquiring 39.17% equity interest in Chu Kong Cargo Terminal (Kangzhou) Company Limited (“CKCTK”), a jointly controlled entity of the Group, at a consideration of HK\$5,066,000. On 10th July 2008, the approval certificate for Foreign Enterprise was issued by the Government of Guangdong Province. After the completion of the acquisition, the Group will own 100% interest in CKCTK which will become a wholly owned subsidiary of the Group.

The Group’s share of commitments for capital expenditure of the jointly controlled entities themselves not included in the above is as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	<b>48,809</b>	4,650
Authorised but not contracted for	–	67,081
	<b>48,809</b>	71,731

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 15 CAPITAL COMMITMENTS *(Continued)*

On 2nd July 2008, the Group entered into an agreement pursuant to which the Group, Zhongshan City Ganghang Group Limited and Zhongshan City Huangpu Town Asset Operation Limited agreed to establish a joint venture company, Zhongshan City Huangpu Harbour Terminal Joint Venture Company Limited (“ZCHHT”). The Group will contribute HK\$44,940,000, representing 80% of the registered capital of ZCHHT.

### 16 RELATED PARTY TRANSACTIONS

The Group is controlled by its immediate holding company, Chu Kong Shipping Enterprises (Holdings) Company Limited, which owns 65.9% (2007: 62.5%) of the Company’s shares. The ultimate holding company of the Group is Guangdong Province Navigation Holdings Company Limited (“GPNHCL”), a state-owned enterprise established in the PRC.

In accordance with HKAS 24 “Related Party Disclosures” issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than GPNHCL group companies), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries, entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GPNHCL as well as their close family members.

For the purpose of the related party transaction disclosures, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises. It should be noted, however, that a material portion of the business activities of the Group is conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Due to the vast volume and the pervasiveness of these transactions, there is no practicable way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.



## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions

		Unaudited	
		Six months ended 30th June	
		2008	2007
	Note	HK\$'000	HK\$'000
Revenues:			
Shipping agency, river trade cargo			
direct shipment and			
transshipment income	(i)		
– fellow subsidiaries		1,222	4,000
– related entities		1,337	244
– jointly controlled entities			
of the Group		592	1,957
– other state-owned enterprises		591	444
Wharf cargo handling, cargo			
consolidation and godown			
storage income	(i)		
– a state-owned enterprise		2,256	–
Loan interest income	(ii)		
– jointly controlled entities			
of the Group		545	701
Bank interest income	(iii)		
– state-owned banks		3,017	4,657

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions (Continued)

		Unaudited	
		Six months ended 30th June	
		2008	2007
	Note	HKS'000	HKS'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	(i)		
– a fellow subsidiary		(4,775)	(4,536)
– related entities		(12,636)	(9,842)
– a jointly controlled entity of the Group		(5,812)	(4,089)
– a state-owned enterprise		(1,211)	(1,246)
Wharf cargo handling, cargo consolidation and godown storage expenses	(i)		
– a fellow subsidiary		(5,719)	(5,419)
– related entities		(992)	(14)
– jointly controlled entities of the immediate holding company		(5,137)	(5,323)
– jointly controlled entities of the Group		(19,840)	(12,761)
– other state-owned enterprises		(713)	(733)
Vessel rental expenses	(iv)		
– related entities		(10,873)	(10,234)
Fuel charges	(v)		
– a fellow subsidiary		(29,976)	(20,098)
Office rental expenses	(iv)		
– immediate holding company		(811)	(306)
– a related entity		–	(6)
Staff hire charges	(iv)		
– a related entity		(122)	(58)
Warehouse rental expenses	(vi)		
– immediate holding company		(2,500)	(2,500)

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS *(Continued)*

#### (a) Transactions *(Continued)*

*Notes:*

- (i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.
- (ii) Loan interest was charged to jointly controlled entities at rates announced by the People's Bank of China, 4.68% or 4% per annum (2007: rates announced by the People's Bank of China or 4.68% per annum).
- (iii) Bank interest income was received from other state-owned banks at rates ranging from 1.5% to 4.1% (2007: 1.7% to 4.7%) per annum.
- (iv) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.
- (v) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.
- (vi) The Group leased a warehouse from its immediate holding company and the rental was charged by the immediate holding company at HK\$2,500,000 for the six months ended 30th June 2008 (2007: HK\$2,500,000).
- (vii) During the period, the Company and the immediate holding company have interchanged the use of certain respectively owned floors of Chu Kong Shipping Tower without any income or charges (2007: nil) for such interchanging arrangement.

Related entities are entities jointly held by the Group and the immediate holding company or the ultimate holding company respectively or entities whose shareholders include the immediate holding company and/or the ultimate holding company.

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	<b>3,085</b>	2,023
Fees	<b>625</b>	625
Retirement benefit scheme contributions	<b>41</b>	40
	<hr/> <b>3,751</b> <hr/>	<hr/> 2,688 <hr/>

(c) Loans to jointly controlled entities

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the period/year	<b>67,941</b>	58,555
Exchange differences	<b>3,312</b>	1,722
Loans advanced during the period/year	–	13,894
Loans repayments received	<b>(5,202)</b>	(6,230)
	<hr/> <b>66,051</b> <hr/>	<hr/> 67,941 <hr/>
Analysed into:		
Current (included in trade and other receivables)	<b>45,401</b>	44,741
Non-current (included in investments in jointly controlled entities)	<b>20,650</b>	23,200
	<hr/> <b>66,051</b> <hr/>	<hr/> 67,941 <hr/>

## NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

### 16 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with state-owned banks

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30th June</b>	31st December
	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balances and deposits	<b>110,277</b>	562,392

The balances and deposits were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties concerned. The interest rates are set at prevailing market rates.

